



Minutes

Thursday, October 19, 2006

Virginia Information Technologies Agency (VITA) Auditorium
110 South Seventh Street, Richmond, VA

Attendance

Members Present:

The Honorable Aneesh Chopra
Hiram R. Johnson, Vice Chair
Walter J. Kucharski
Mary Guy Miller, Ph.D.

James F. McGuirk, II, Chair
Leonard M. Pomata
Bertram S. "Bert" Reese
Alexander "Sandy" Thomas

Members Absent:

Kenneth S. Johnson, Sr.
Scott D. Pattison

Others Present:

Lemuel C. Stewart, Jr., Chief Information Officer of the Commonwealth
John Westrick, Office of the Attorney General
Marcella Williamson, ITIB Executive Director

Call to Order

Chairman James F. McGuirk, II, called the meeting of the Information Technology Investment Board (ITIB) to order at approximately 9:05 a.m.

Chairman McGuirk introduced the newest member of the ITIB, Bertram S. "Bert" Reese.

He said Mr. Reese has an impressive resume. Mr. Reese is Vice President of Corporate Services and Chief Information Officer of Sentara Healthcare in Norfolk. Sentara is a healthcare delivery system that consists of six hospitals with 1,400 beds, 270 employed physicians, eight nursing homes, and health care and mental health care plans. Mr. Reese is responsible for administering IT, materials management, innovation, process improvement and decision support functions for Sentara.

Mr. McGuirk said Mr. Reese has a master's in business administration from the University of Utah and a bachelor's in business administration from Norwich University. He said he is nationally recognized as an outstanding CIO in the health care field. Mr. Reese is a member of several professional organizations and has more than 47 published articles and Web

citations. He has been honored in *Most Wired* for the past five years, and has provided international consultation for health care and information systems.

Mr. McGuirk asked Marcella Williamson to call the roll. The presence of a quorum was confirmed.

Approval of the Minutes

Chairman McGuirk introduced the draft meeting minutes from the July 10, 2006, and August 19, 2006, meetings. Mr. Hiram Johnson moved the minutes be approved. Secretary Chopra seconded the motion. The minutes were approved by voice vote.

Chairman's Report

Chairman McGuirk announced changes in committee appointments. He appointed Mr. Reese to the Commonwealth IT Solutions and Finance and Audit Committees, and Mr. Hiram Johnson as Chair of the Legislative Affairs Committee. He said he will move from the IT Solutions Committee to the IT Partnership Committee.

Chairman McGuirk also explained the purpose of the newly formed ITIB Customer Advisory Council. He said VITA is becoming a customer-centric organization and that additional input is needed as VITA reaches out to other clients. Chairman McGuirk added that the key is to obtain input to make sure that the ITIB is providing the kind of direction and policy for VITA to ensure that customers are getting services that they need and desire, and to expand the number of customers. Chairman McGuirk said that Governor Timothy M. Kaine was very much in support of setting up the Customer Advisory Council reporting to the ITIB to get input from other clients and from the Cabinet. He said the Customer Advisory Council will have a broad reach. He reported that he had asked Secretary Chopra to chair the council and Mr. Hiram Johnson to serve as Vice Chair. Secretary Chopra said he and Mr. Johnson have met to begin work. Secretary Chopra said that the Governor has asked for nominations and those nominees are being reviewed and will be brought to the ITIB for approval.

Chairman McGuirk shared a letter sent to him by Governor Kaine that promotes the enterprise-wide approach to addressing state government challenges. Chairman McGuirk said he believes the Administration and General Assembly are taking heed of recommendations and investment priorities in the ITIB's Recommended Technology Investment Projects (RTIP) report. He said the Governor is creating an Office of Enterprise Solutions that will include, at a Commonwealth level, a Center of Excellence to develop performance benchmarks and metrics; a Collaborative Investment Fund to determine needs in a top-down approach; and a Program Management Office to determine how the Commonwealth is doing in enterprise solutions.

He said the Governor has created five initiatives, some of which came as a result of ITIB recommendations, including core business systems and process improvement, reducing transaction times for business, reducing transaction times for veterans, electronic health records, and enterprise-wide document handling and workflow management and processes.

Chairman McGuirk said the Governor's letter also states that plans are under way to use the private sector to bring the highest level of project development management and expertise with an advisory council to provide guidance.

CIO Status Report

Chief Information Officer (CIO) of the Commonwealth Lemuel C. Stewart, Jr., provided a status report to the Board.

Mr. Stewart provided the ITIB with the NASCIO position paper on federal IT funding reform.

Topics of his presentation included:

- Highlights since last meeting, including establishment of Agency Information Technology Resources (AITRs) communications meetings.
- National awards
- Audit update
- Security statistics
- Financial results
- CIO major project and procurement action
- Public facing dashboard
- Employee acceptance of Northrop Grumman job offers

Mr. Kucharski asked for an answer to the AITRs' question of why an agency needs its own policies and procedures if the agency is following VITA security policy and procedures. Commonwealth IT Security Officer Peggy Ward explained that the agency head is responsible for the security of his or her agency's data, such as security training and logical access. Mr. Kucharski said his point is that this is a classic misunderstanding about what VITA does and does not do, and there needs to be discussion about security responsibility.

CIO Stewart, in response to discussions regarding customers, also discussed VITA's multi-faceted approach to obtain customer feedback. That approach includes, in addition to the ITIB's new Customer Advisory Council, the following:

- AITR communications meetings
- Cabinet Technology Team meetings
- Cabinet meetings
- Agency head meetings
- Partnership Advisory Council
- Information Security Officers meetings
- University of Virginia survey

He explained the purpose of each and said feedback is being used to develop action plans.

Mr. Stewart said VITA is continuing to work with the U.S. Department of Health and Human Services (HHS) and financial experts, including several from state Agencies, to address the federal concern about the proposed interim rate plan billing agencies for IT services. VITA had proposed the interim plan as a transition from direct bill to an enterprise shared service rate. He said the federal agency is looking at cost allocations based on regulations written in 1984 that do not reflect value based on today's IT world. He said the federal government wants VITA to skip the middle step of Memoranda of Understanding based on the interim rate and go straight to the shared services rate. He said a work group has been formed to reconstruct a new shared rate services cost allocation methodology to submit to the federal government for approval.

CIO Stewart said this changes VITA's plans and will cause a redistribution of IT dollars across all agencies in the Commonwealth so that the average rate is used to charge all

agencies. He said some agencies will have increased costs, while others will have decreased costs. He said the work is being done in cooperation with the secretaries of Finance and Technology, Department of Planning and Budget and agencies, and that by November 10, 2006, the impact on agencies has to be determined so that changes can be included in the Governor's budget proposal. Mr. Stewart explained that the federal government said it "appears" that the proposed rate structure was not in compliance and told agencies to be careful as to whether to pay bills with federal funds. As a result, some are not paying their bills from VITA. He said VITA cannot operate for long without cash, but that this is a Commonwealth challenge and will be resolved.

CIO Stewart said Virginia is not alone in this challenge. At least four other states are in negotiations with HHS regarding federal funding guidelines that are not in alignment with many states' efforts to innovate their IT environment. He provided two National Association of State Chief Information Officers' (NASCIO) position papers, entitled *Federal IT Funding Reform* and *Call for Action – States Need Reforms in Federal IT Funding*.

Chairman McGuirk clarified that Virginia is accelerating the 2008 rate implementation.

Secretary Chopra agreed there is confusion about roles of Agencies and VITA regarding security as mentioned earlier by Mr. Kucharski and asked how the information will be distributed.

Mr. Kucharski said the Office of the Auditor of Public Accounts is conducting a statewide survey under Senate Resolution 51 of the status of IT security in the Commonwealth. He said APA is looking at what VITA and the agencies are responsible for regarding security, and some audit points have been issued and addressed one by one. He said there are some technical questions related to IT transformation in later stages, such as when there is a central e-mail system with a central log-on. He said, generally, security officers are at the wrong place in the organizations, agency heads and agencies do not understand their responsibility, and the law deals with databases rather than security of information. He said the report will be available from APA by December 5, 2006 and will lay out policy issues that will require decisions.

Mr. Reese said that in his field the security practices are set at the infrastructure level and that a technology review committee considers all applications being added to the infrastructure. The review includes security policies. He said the risk is too high to allow deviation from how security is managed both at the data level and by access.

Mr. Kucharski said VITA intentionally was not given responsibility for systems, and that model does not work in the current state environment.

Mr. Reese said the conversation on security between the agencies and VITA is good. He said it could be an intelligent dialogue on how VITA could add additional services and advance the discussion, and that thoughtful conversation could continue about what applications are running at the agency level, how they are brought on board and how to harden them to make sure they do not hurt other applications or violate security. He said it is a gentle, thoughtful conversation and not dictatorial.

Chairman McGuirk said that this is a collaborative conversation. He said VITA may be able to offer services to assist with security. He said there is no single entity totally responsible for security. He said security is a Commonwealth issue, and that the ITIB must take leadership in starting the dialogue and making sure there is an understanding of the Commonwealth's security. Mr. McGuirk said enhancing Commonwealth security needs to be discussed, not who is responsible.

Mr. Reese said most departments or agencies do not want to go it alone on security; it is just too risky. He said a series of security summits might work starting as an educational effort, evolving to a technical review committee to self-govern. He said it is an opportunity as well as a challenge.

CIO Stewart said he supports Mr. Reese's suggestion. He said Ms. Ward brings the security officers together, but there now is silo management on data. He suggested to Secretary Chopra that a technical advisory committee based on the secretariats be established and that they regulate themselves in terms of the data privacy issue from a business process standpoint.

Mr. Kucharski said such a committee should not include only existing security officers, but others with authority and appropriate level in the organization to communicate common needs.

Committee Reports

Chairman McGuirk called for committee reports.

Commonwealth IT Solutions

Secretary Chopra said the committee had a productive discussion on three topics:

- An update on the enterprise applications initiative -- Secretary of Finance Jody Wagner will be the new project sponsor. She provided an overview of the program with specific interest in a financial management suite of projects. A special ITIB meeting may be required in November or December for a project overview and a request for funds now reserved.
- Key projects report -- A major project previously designated red has progressed to a yellow rating because of progress made.
- Letter from Governor -- The letter to Chairman McGuirk regarding the Office of Business Enterprise Solutions was shared with the committee because some of the content will impact the IT Solutions Committee and ITIB. He said the Council on Virginia's Future will meet on October 30, 2006 and at that time there will be a summary overview on how the office will be constructed.

Executive Evaluation and Governance Committee

Dr. Miller reported that the small, woman and minority-owned (SWaM) program had \$24.3 million spend in FY06, representing 15 percent of eligible spend. She said there will be challenges in FY07 because much of the opportunity for SWaM spend is rolling over to the Northrop Grumman contract, which will be watched closely. VITA's FY07 SWaM spend goal is \$30 million, which is a 20% increase over FY06.

She reported that the customer survey is being developed and the ITIB will have opportunity to look at it before it goes out in March 2007.

Of the 26 CIO objectives, 19 are green and seven are yellow, Dr. Miller reported.

She said the committee heard a presentation on change management in VITA, and looked at the agency vision, mission and strategic objectives. She said the board is being challenged to develop vision and mission statements.

Dr. Miller said the committee met in executive session for the CIO evaluation, and presented the following motion:

I move that in accordance with the ITIB CIO evaluation policy and procedures, and based on the CIO's performance for the period of February 2006 to September 2006, that the ITIB certify to the Department of Human Resources Management that the CIO is performing at levels comparable to the rating of extraordinary contributor as used in the classified employees' evaluation.

Mr. Hiram Johnson seconded the motion, which was approved on a voice vote.

Finance and Audit Committee

Chairman McGuirk presented the report for Committee Chairman Mr. Pattison.

Chairman McGuirk said year-end results show revenues tracking to budget and that finances are in good shape. He said there was significant discussion regarding the federal issue related to billing agencies.

In the budget process, he reported that VITA will ask that some General Funds be restored and for new internal service rates for geographic information systems and project management. He said reduction in full-time positions is planned because vacant positions exist where employees accepted Northrop-Grumman jobs and that is included in the budget request, as is a funding for a telework pilot.

Chairman McGuirk made a motion as recommended by the committee:

I move that the ITIB approve the submission to the Department of Planning and Budget of VITA's budget amendment and rate setting request for the 2006-08 biennial budget consistent with the Governor's, JLARC and federal requirements as they apply.

The motion was seconded by Mr. Len Pomata and approved on a voice vote.

Chairman McGuirk introduced two new staff members -- Cathie Brown, Deputy Chief Information Security Officer, and Shelia Alves, Internal Audit Director.

He said the committee reviewed the APA Corrective Action Plan and Internal Audit Plan. On behalf of the committee, Chairman McGuirk made a motion:

I move that the ITIB approved the revised five-year Internal Audit Plan.

Mr. Pomata seconded the motion, which was approved on a voice vote.

IT Infrastructure Committee

Mr. Pomata said the committee's charter is an overall project review of the IT Infrastructure Partnership, including a three-month review of past activities and a six-month look forward at upcoming activities. He asked VITA Service Management Organization Director Fred Duball and Northrop-Grumman Relationship Manager Joe Fay to present a brief update.

Mr. Duball said 67 percent of employees offered employment with Northrop-Grumman accepted the offer, and that on-boarding activities are ongoing. Mr. Fay discussed metrics, noting that additional measures will be added as the IT infrastructure is transformed. He

discussed successes to date, including a \$1 million investment in technology training programs at the University of Virginia at Wise, and new jobs and facilities in Southwest Virginia and Chesterfield County.

Mr. Pomata said that in the spirit of continuous improvement, the IT Infrastructure Committee is trying to accelerate the measurement and metrics development to understand service delivery levels where they affect customer satisfaction. He said the committee has asked staff to determine how to mitigate the revenue gap, but that the federal funding issue has overshadowed that work.

Legislative Affairs Committee

Mr. Hiram Johnson reported that the committee has not met and there is no proposed legislation for early filing. He said he expects additional activity once the General Assembly session begins.

Recommended Technology Investment Projects (RTIP)

Jerry Simonoff, IT Investment and Enterprise Solutions, discussed re-engineering of the RTIP report process. He provided a proposed top-down process to get early agreement on business priorities, determine IT priorities and have an interim report to provide opportunity for feedback.

Mr. Kucharski said if the RTIP is strategic, the instructions and questionnaire should ask what has changed, not start over asking for input on projects.

Chairman McGuirk said the RTIP should become confirmation of the strategy for IT, and not agencies coming in with a wish list. He said this will be a clash of the processes and a culture change. He said the ITIB should determine what it wants out of the RTIP report.

Mr. Kucharski said if agencies are truly doing strategic planning and the IT projects proposed are part of the strategic plan, the agencies should be asked to build on what has been submitted and it should be determined how the plans fit in with Commonwealth priorities.

Mr. Pomata said the ITIB has guidance from the Governor in the letter to Chairman McGuirk and the RTIP planning process should take advantage of that guidance.

Secretary Chopra said that guidance will make the RTIP even better. He said over the next 10 days, the state will have the top goals for each agency, and there will be a published set of goals in November or December 2006. He said those measures will help with the RTIP report.

Mr. Reese said that if the goals are ready by the end of November, the ITIB and VITA can strip out goals that are technology driven. Then, he said, it is a question of whether the goals still are valid, that there is a level funding mechanism and that there is an opportunity to communicate to agencies in a helpful way.

Chairman McGuirk said agencies have had input strategically. He said the ITIB should build the RTIP report around the strategic vision, including the strategy the ITIB has put together, enterprise business architecture, Governor's priorities and initiatives, Council on Virginia's Future priorities and the enterprise collaboration summary. He said the RTIP should not start from the beginning with the agencies, but emphasize the messages and strategies

already developed. He said the RTIP report has to start with the enterprise approach and other established priorities, and that investments recommended follow those priorities.

Mr. Thomas said as the ITIB transitions to a strategic RTIP, there must be enfranchisement with the agencies.

Mr. Pomata said there are enterprise areas of focus and the ITIB must ask agencies what projects they have that fit into the enterprise view.

Secretary Chopra said this is the type of model to follow for the RTIP.

Chairman McGuirk noted that one of the primary functions of the ITIB is to look at the investment priorities for the Commonwealth and make recommendations regarding the best use of IT. He said the ITIB has enough information to recommend projects where the Commonwealth will get the most bang for the buck. He said that the RTIP has to start setting direction rather than reporting agencies' desires. He asked Mr. Simonoff to think of the RTIP as a direction-setting process, prioritizing enterprise areas where the Commonwealth should be making IT investments.

He said starting this year, the RTIP should be proactive rather than reactive to agencies' request.

Mr. Simonoff said staff will come back to the ITIB with a new plan taking the members' feedback into consideration. Mr. Pomata said he would like something electronically within 30 days. Chairman McGuirk agreed. He asked Mr. Simonoff to come up with a process for ITIB input and provide it by e-mail within 30 days. He said the process should be locked down by mid-December.

Mr. Kucharski said that if the ITIB meets in November or December regarding enterprise applications, the RTIP process could be discussed at that time.

Dan Ziomek, VITA Project Management, presented a survey of agencies regarding the 2006 RTIP report and asked for approval. The ITIB tabled the survey as a result of discussion on the RTIP process.

Information Technology Investment Management (ITIM)

Mr. Ziomek said part of the CIO and strategic objective for VITA and the Commonwealth is to mature and improve the Commonwealth ITIM program. He said phased implementation is planned because of concerns from agencies about the impact of change.

He said ITIM is a continuous process designed to support the RTIP report, determine how best to invest agencies' IT dollars and provide the framework for the Commonwealth's approach to technology management.

Mr. Ziomek said ITIM helps determine how to invest business dollars strategically in IT, whether at an agency or Commonwealth level. He said ITIM will help agencies align IT investments and publish current plans so that a look at the agencies' portfolios can help view where agencies are headed long-term.

ITIB members had questions about how ITIM fits with the RTIP and the IT Infrastructure Partnership.

Mr. Ziomek said the ITIM standard will help agencies better determine what IT investments to make in support of their strategic plan. He said ITIM is a process framework.

Chairman McGuirk said the ITIB is trying to give agencies a standard way to look at how they develop IT strategic plans, similar to the standard to conduct program management.

Mr. Ziomek explained that the tool used today is the Commonwealth Agency Technology Strategic Planning Application (CATSPA), which is an antiquated, home-grown tool. He said ITIM is a process uniform across agencies that ties information to the top-down strategy, so when an investment is evaluated through that tool, the right criteria are established for evaluating the investment.

Mr. Pomata noted that what comes out of ITIM is an input to the RTIP.

Dr. Miller said this is a life cycle of the IT investment.

Mr. Reese said ITIM provides standardized IT conversation and suggested that the ITIB view the ITIM portfolio tool demonstration to answer some of the questions prior to discussing ITIM further.

The ITIB moved to the Chesapeake Room on the third floor, and invited the public to follow, to see a presentation on an investment management portfolio tool while they had lunch. Mr. Thomas and Secretary Chopra left the meeting.

Constance Scott, ITIM, and Gary Weaver, Project Management, provided an overview of the ProSight IT investment portfolio tool and responded to ITIB members' questions. The tool will replace the CATSPA and Major IT Projects Dashboard. The implementation schedule calls for training of agencies prior to implementation in late March 2007.

The ITIB returned to the auditorium for the remainder of the agenda. Secretary Chopra returned to the meeting.

Mr. Ziomek said the ProSight tool has the robust capability to drive IT investment.

Mr. Pomata asked about an implementation date. Mr. Ziomek said staff will need time to configure the system, but had planned to go out with guidance regarding IT strategic planning in advance of budget guidance. Mr. Pomata said ITIM and RTIP should dovetail.

Mr. Kucharski it may not be realistic because of the time required to implement the ITIM standard to tie the two together for the next planning period.

Mr. Hiram Johnson asked about the financial impact of ITIM on agencies. Mr. Simonoff said agencies must determine how to meet the requirements of the standard.

Mr. Kucharski said he thought that the standard is in place, and this is implementation. Mr. Ziomek said ITIM is the missing link. He said there is a policy that ITIM be used, but there is no standard outlining how to do that.

Mr. Kucharski discussed having VITA/Northrop Grumman staff involved with agencies to ensure adequate infrastructure, security, etc., are discussed by agencies in ITIM.

Chairman McGuirk said the process needs to be integrated to be proactive and that this standard and tool will be very important and a key ingredient in the RTIP process. He also said the ITIB needs to hear from agencies about how and when to implement.

Other Business

Mr. Simonoff said the Secretary of Technology and others are working to select champions for the five strategic goals in the Commonwealth Strategic Plan for Information Technology. He said the state's business architecture has received attention, and that six states at the recent NASCIO conference expressed interest in learning more about Virginia's process.

Public Comment

Chairman McGuirk solicited public comment.

A representative of the Department of Social Services expressed concern about the cost, particularly in terms of staff time, for the implementation of ITIM. She said the Department of Social Services designated two full-time staff members to ITIM and still has difficulty making sure the process is followed. Mr. McGuirk thanked her for her comments, and said the ITIB will take her concerns seriously.

Closed Session

Mr. McGuirk made a motion:

"I move that the board convene a closed meeting pursuant to the Code of Virginia 2.2-3711.A.1 for the purpose of discussing the performance and capabilities of specific VITA employees who would be appropriate candidates for promotion within VITA and pursuant to the Code of Virginia 2.2-3711.A.7, for the purpose of consulting with legal counsel regarding the Freedom of Information Act rules pertaining to meetings. The CIO, counsel and designated VITA staff should attend the closed meeting as their attendance will aid our discussion."

Secretary Chopra seconded the motion. Ms. Williamson called the roll. The motion passed on a 7-0 vote. The ITIB moved to the Chesapeake Room on the third floor for approximately 30 minutes.

Chairman McGuirk then publicly reconvened the meeting in the auditorium and asked for a roll call to have each member certify to the best of his or her knowledge that only public business matters lawfully exempt from open meetings requirements under FOIA and only those public business matters identified in the motion convening the closed meeting were heard, discussed or considered in the closed meeting. Ms. Williamson called the roll. The seven members present certified yes.

Dr. Miller asked that the ITIB look at the pay band for the CIO and move it to an open-market position. Mr. Hiram Johnson said that should be considered for the upcoming General Assembly. Chairman McGuirk asked Mr. Hiram Johnson and Mr. Kucharski to determine how to address the issue.

Adjournment

Secretary Chopra moved to adjourn the meeting. Mr. Pomata seconded the motion. Chairman McGuirk adjourned the meeting at approximately 2:45 p.m.